

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION  
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
AMERICAN POSTAL WORKERS UNION, AFL-CIO, INTERROGATORIES  
APWU/USPS-T12-14-19**

The United States Postal Service hereby provides the responses of witness Whiteman to the above-listed interrogatories of the American Postal Workers Union, AFL-CIO, dated February 24, 2012. Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS WHITEMAN TO APWU INTERROGATORY

**APWU/USPS-T-12-14.** In the market research, consumers and commercial accounts all said they “would easily adapt “to the proposed changes to the First-Class Mail service standards. How much of the total losses in First-Class Mail volume for the past three years is attributable to conversion to Internet-based services?

**RESPONSE:**

The quoted (but not cited) section of my testimony states:

It is clear that consumers and small commercial organizations have already begun reducing their use of First-Class Mail™ due, in part, to the recent economic downturn, by consolidating credit cards and thereby limiting bills and payments; we should expect these changes to continue.

While it is clear that mailers have begun to migrate mail volume to the internet, I am unable to estimate what percent of the “total losses in First-Class Mail for the past three years is attributable to internet.-based services” The research conducted to support the Postal Service Request for an advisory opinion regarding changes in First-Class Mail service standards was not designed to develop this type of estimate.

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**APWU/USPS-T-12-15.** For the IDI research, the interviewees are noted to be “National” and “Premier” accounts. What is customer profile for each of these accounts?

**RESPONSE:**

On page 17 of my testimony (USPS-T-12) I define customer segments in the “commercial” market as including National, Premier and Preferred mailers, for all of whom we have records of their past mailing activity. These three segments rank in order from larger to smaller. We do not provide customer-specific profiles because that would both break the promise of respondent confidentiality while also presenting the possibility that their confidential information might be made public. However, by examining the information in library reference USPS-LR-N2012-1/NP1, considerable detail regarding respective customers can be gleaned. The section of my testimony cited above also identifies the two smaller customer segments, small businesses and consumers, for whom the Postal Service does not retain mailer-specific mailing histories. Each customer segment constitutes a grouping of similar customers that helps enable quality market research.

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**APWU/USPS-T-12-16.** Basic service “current performance” is described as “highly satisfactory.” How is “highly satisfactory” defined?

**RESPONSE:**

This question appears to reference the last line on page four of my testimony where I am discussing the qualitative market research; the whole sentence there states: “Overall, First-Class Mail™ is the basic service [for consumer and small business customer segments] and current performance is highly satisfactory.” As such, “highly satisfactory” is my summary assessment of the qualitative research for which a dictionary definition should suffice. I was basing my judgment of what customers find “highly satisfactory” upon statements made throughout the focus groups and in-depth interviews (for which transcripts are available in USPS-LR-N2012-1/26). In many ways, customers said that, for \$.44, the high reliability of delivering First-Class Mail within a reasonable time period anywhere in the country, with its simple and easy access at both ends makes First-Class Mail a highly satisfactory service.

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**APWU/USPS-T-12-17** On page 5 of your testimony you noted that “many [interviewees] said that the Postal Service was too important to them to risk not supporting steps needed to ensure that it continues to operate.” Given this, how do you explain the reluctance of customers to pay more for the services?

**RESPONSE:**

First, the question’s presumed interpolation is inaccurate, since this statement pertains to discussion in focus groups rather than interviews.

The specific question here is a *non sequitur* that I cannot answer since I do not know what is meant by “the reluctance of customers to pay more for the services.” I can say that my quoted conclusion reflects a point of view that was strongly held by many customers, one that can be verified by reviewing the transcripts (USPS-LR-N2012-1/26). I think it is a meaningful statement that should be given great weight when evaluating the Postal Service proposal.

However, I think two general points can be made. First, general price sensitivity means that, in isolation, no price increase—whether by the Postal Service or any other commercial organization—is typically welcomed. Second, customers would rather have the Postal Service make operational changes than implement a significant price increase.

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**APWU/USPS-T-12-18.** Has research been conducted in the past 5 years by, or on behalf of, the USPS regarding the relative importance of various service features and service standards to customers? If so, please provide results by service class and for each noncompetitive parcel subcategory as well as for Express Mail and Priority Mail. If possible, provide results in total and by customer segment. If such research exists but does not allow for results by class, sub-category or segment, please provide the results as tabulated.

**RESPONSE**

No. While the Postal Service has conducted various market research studies in the past five years assessing features, such efforts have not focused upon evaluating customers' perceptions or experiences with service standards. Until the research conducted in anticipation of this docket, it has not conducted any research evaluating the importance of service features and service standards.

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS WHITEMAN TO APWU INTERROGATORY

**APWU/USPS-T12-19.** In your testimony for this case you estimate that the service standard changes will cause a revenue loss of \$1.3 billion and a loss of \$0.5 billion in contribution. In your testimony for N2010-1 (Revised Direct Testimony of Gregory Whiteman on Behalf of the United States Postal Service, [USPS-T-9, July 15, 2010) you estimated revenue losses of \$465.9 million and a loss of \$206.1 million in contribution resulting from a change from 6-day to 5-day delivery.

a) Even though you did not do any market research on the combined impacts of these two programs (See Response to NALC/USPS-T12-14, filed January 31, 2012), have you, as a Postal Service manager, had to make estimates of the combined impacts of these two initiatives for planning purposes?

b) If so, is your working assumption that revenue losses resulting from both of these programs enacted together would be \$1.77 billion with a loss of contribution of \$0.7 billion? If not, please provide your estimate of combined revenue and contribution losses.

c) If you have not had to make such estimates for planning purposes, please provide the title of the Postal Service manager who is making such estimates.

**RESPONSE:**

(a) I have had no reason to estimate the combined effects of five-day delivery and changes to First-Class Mail service standards upon revenue or contribution.

(b) I have no basis for making such an estimate or agreeing with this question's aggregation.

(c) I have not been involved in any financial or market research assessment that evaluated the sum of these two initiatives' combined impact; nor can I name a person who has.